

## Message Text

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ACTION SS-15

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 4907

C O N F I D E N T I A L CAIRO 6495

FOR UNDERSEC SISCO FROM AMBASSADOR

E.O. 11652: GDS

TAGS: OTRA EFIN CPRD PFOR EG

SUBJECT: CLAIMS OF US NATIONALS AGAINST EGYPT

REF: STATE 152344

SUMMARY: INSTRUCTIONS HAVE BEEN RECEIVED WITH REGARD TO US CLAIMS WHICH SEEM TO INCLUDE DUBIOUS ITEMS AND WHICH APPEAR INCONSISTENT WITH THE POSITIVE POLITICAL AND ECONOMIC POSITIONS WE HAVE BEEN TAKING WITH EGYPTIANS. REQUEST MATTER BE REVIEWED AND INSTRUCTIONS CHANGED. END SUMMARY.

1. AS YOU KNOW, WE ARRANGED LAST JULY TO ESTABLISH JOINT US-EGYPTIAN COMMITTEE TO SETTLE US PRIVATE CLAIMS AGAINST GOE. PROJECT HAS PROCEEDED SLOWLY SINE NECESSARY DOCUMENTATION HAS TO BE PUT TOGETHER. EGYPTIANS HAVE IN FACT URGED US GET PROCESS UNDERWAY. WHILE EXACT TOTAL OF CLAIM WAS SOMEWHAT UNCERTAIN, LIST WAS GIVEN TO GOE IN 1966 BASED ON INFORMATION THEN AVAILABLE INDICATING FIGURE RANGING FROM \$5 TO 8 MILLION TOTAL. DEWIDAR, WHO IS PRINCIPAL ON EGYPTIAN SIDE, TALKED WITH KORMANN AND DEP LEGAL ADVISER HUANG LAST APRIL EXPRESSING A PERSONAL VIEW THAT \$8 MILLION FIGURE MIGHT BE MANAGEABLE SUM FROM EGYPTIAN VIEWPOINT. WHETHER HE CAN DELIVER OR NOT REMAINS TO BE SEEN. IN ANY CASE, FROM PREVIOUS EXCHANGES WITH DEPT, I THOUGHT THAT WAS A REASONALBE BALLPARK FIGURE.

2. I AM DISTRUBED TO LEARN FROM HUANG, WHO HAS JUST RETURNED TO  
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ASSIST IN TALKS, THAT CLAIMS HAVE BEEN SUBSTANTIALLY INCREASED OVER

ALL RPT ALL EARLIER ESTIMATES. PART OF THE INCREASE REPRESENTS UNDERSTANDABLE ADJUSTMENTS RESULTING FROM OUR PUBLISHED NOTICE TO CLAIMANTS; PART SEEMS MUCH LESS JUSTIFIED. LATEST CLAIMS FIGURE PREPARED BY L PLACES FIGURE AT \$15.3 MILLION, BUT INCLUDES ITEMS SUCH AS SS AFRICAN GLEN (VESSEL TRAPPED IN CANAL) AND VARIOUS INVALID AND ABANDONED CLAIMS. REFTEL STIPULATES INTEREST SHOULD BE SIX PERCENT PER ANNUM FOR 15 YEARS, WHICH ADDS ABOUT \$13 MILLION. THIS WOULD BRING TOTAL WE ARE ASKING OF EGYPTIANS TO ABOUT \$28 MILLION. (EVEN FALL BACK POSITION OF 5 PERCENT IS NO BETTER.) SUCH A QUANTUM JUMP FROM EARLIER 1966 LIST OF \$5-8 MILLION IS CERTAIN TO EVOKE MISTRUST AND DOUBT AS TO USG GOOD FAITH IN DEALING WITH EGYPT. IT WILL BE VIEWED AS GOUGING AT A TIME WHEN WE ARE TRYING TO PROVIDE EMERGENCY RELIEF ASSISTANCE TO EGYPT IN ITS BALANCE OF PAYMENTS PROBLEM AND ENCOURAGES ADAT TO COOPERATE IN PEACE PROCESS.

3. I FULLY APPRECIATE CONGRESSIONAL ASPECT OF SATISFACTORY SETTLEMENT OF PRIVATE US CLAIMS AND HAVE DISCREETLY PUSHED THIS FROM THE OUTSET. I AM DISTURBED, HOWEVER, AT L INSTRUCTIONS. I MAY BE WRONG, BUT THEY APPEAR TO HAVE BEEN WRITTEN IN TOTAL VACUUM AS TO POLITICAL AND ECONOMIC EFFORTS WE ARE MAKING. GRANTED SOME OF THIS IS USEFUL FOR BARGAINING PURPOSES, BUT SOME ITEMS SEEM UNCONSCIONABLE AND EGYPTIANS ARE SMART ENOUGH TO SEE THROUGH THEM.

4. THUS, I UNDERSTAND THAT IN ALL RPT ALL CLAIMS SETTLEMENT AGREEMENTS CONCLUDED SINCE WORLD WAR II, INCLUDING OUR MOST RECENT ONES WITH HUNGARY, CZECHOSLOVAKIA AND PERU, NO RPT NO INTEREST PAYMENTS WERE MADE. GOE ALSO HAS CONCLUDED ABOUT 15 CLAIMS SETTLEMENT AGREEMENTS WITH OTHERS AND HAS PAID NO INTEREST. UNDER MFN PROVISION INCLUDED IN THOSE AGREEMENTS, GOE WOULD HAVE TO REOPEN THEM AND MAKE RETROACTIVE PAYMENTS ON PAST SETTLEMENTS. IT IS TOTALLY UNREALISTIC TO EXPECT GOE TO AGREE.

5. SS AFRICAN GLEN IS ANOTHER CASE IN POINT. WHEN JOINT COMMITTEE DECIDED UPON THIS, IT WAS FOR THE EXPRESS PURPOSE FO SETTLING NATIONALIZATION AND EXPROPRIATION CLAIMS PURSUANT TO SECTION 620 (E) OF FAA OF 1961. AFRICAN GLEN HARDLY FALLS INTO THAT CATEGORY. APPLICABLE LAWS AND CUSTOMS OF WAR ARE NOT CLEAR CUT AND NO COUNTRY, SO FAR AS I AM AWARE, HAS UP TO NOW CHARGED GOE  
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WITH HAVING VIOLATED LAWS AND CUSTOMS OF WAR IN CONNECTION WITH ANY OF THE TRAPPED SHIPS. IN THESE CIRCUMSTANCES EGYPTIAN LIABILITY UNDER INTERNATIONAL LAW TO PAY DAMAGES FOR AFRICAN GLEN DETENTION IS DUBIOUS. ISRAELIS SHELLED EGYPTIAN PORTS AND DAMAGED VESSELS BETWEEN 1967 AND 1969 WITHOUT CONCEDING ANY INTERNATIONAL LIABILITY.

6. I REPEAT I WANT SATISFACTORY CLAIM SETTLEMENT TO BE WORKED OUT,

BUT OUR APPROACH SHOULD BE IN SPIRIT OF POLITICAL/ECONOMIC COOPERATION WHICH WE HAVE NOURISHED WITH GOE THIS PAST YEAR AND NOT AS TRANSPARENT GOUGING OPERATION. I WOULD BE GRATEFUL IF YOU COULD DISCUSS SUBJECT WITH LEIGH TO HAVE NEW INSTRUCTIONS SENT CONSISTENT WITH OUR IMPORTANT POLITICAL INTERESTS HERE. IF SECRETARY IS NOT AWARE OF L APPROACH, I THINK HE SHOULD BE APPRISED OF IT. IT IS CERTAIN TO BE COUNTERPRODUCTIVE AND GENEATE ADVERSE REACTION AT A TIME WHEN WE NEED CONTINUED GOE GOOD WILL. TALKS ARE SCHEDULED BEGIN JULY 3 SO THERE IS SOME URGENCY.  
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